

Message Text

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ACTION L-03

INFO OCT-01 ARA-06 ISO-00 EB-08 COME-00 TRSE-00 AGRE-00
CIAE-00 INR-07 NSAE-00 SP-02 /027 W
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FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC 5596

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E.O. 11652: N/A
TAGN: EINV, HO
SUBJECT: PROGRESS OF NEGOTIATIONS IN UNITED BRANDS EXPROPRIATION CASE

REF: (A) 76 TEGUCIGALPA 5891, (B) 76 TEGUCIGALPA 5850,
(C) 76 STATE 306302

SUMMARY: LAST WEEK SENIOR UNITED BRANDS (UB) OFFICERS EXPLORED WITH GOH OFFICIALS MATTERS OF COMPENSATION, CLARIFICATION OF LANDS AFFECTED BY EXPROPRIATION DECREES AND DISPOSITION OF UB CATTLE HERDS. UB FOUND GOH OFFICIALS CORDIAL AND, WITH EXCEPTION OF AGRARIAN REFORM DIRECTOR, RESPONSIVE. THE LATTER WAS INFLEXIBLE, THEY ADDED. IT APPEARS HE IS HOLDING TO HIS MAXIMUM BARGAINING POSITION AT THIS STAGE. END SUMMARY.

1. UB OFFICERS WILLIAM MATHERS AND GEORGE SKELLY ADVISED THE EMBASSY ON STATUS OF SUBJECT NEGOTIATIONS IN MID-JANUARY, AS FOLLOWS. IN A MEETING JANUARY 19 WITH RIGOBERTO SANDOVAL, DIRECTOR OF AGRARIAN REFORM INSTITUTE (INA), UB OFFICERS EXPLAINED THAT THE COMPANY WAS IN PROCESS OF REVIEWING INA EXPROPRIATION DECREES--ESPECIALLY WITH REGARD TO COMPENSATION AND TO CLARIFY WHICH LANDS ARE AFFECTED--AND HOPED TO PREPARE A PROPOSED SETTLEMENT SOON. IT WAS AGREED THAT UB AND INA ENGINEERS WOULD MEET EN SITIO (LA LIMA) IN AN EFFORT TO DEFINE MORE
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CLEARLY THE AREAS ENCOMPASSED BY THE DECREES. IN DISCUSSION ON COMPENSATION SANDOVAL ACKNOWLEDGED THAT THE BONDS PROPOSED FOR THE BULK OF SETTLEMENT HAVE LITTLE NEGOTIABLE VALUE. HALF SERIOUSLY, HE EXPRESSED HOPE THAT UB WOULD ACCEPT ONE DOLLAR AS FULL SETTLEMENT. HE ALSO EXPRESSED DISAPPOINTMENT THAT UB HAD NOT RETURNED WITH A PROPOSAL WHICH CONCEDED ALL THAT INA ASKED. UB OFFICERS CHARACTERIZED DISCUSSIONS WITH SANDOVAL AS FRIENDLY

BUT SAID HE WAS (QTE) ABSOLUTELY RIGID (UNQTE). THEY NEXT MET WITH BENJAMIN VILLANUEVA, DIRECTOR OF GOH BANANA CORPORATION, WHO EXPRESSED BELIEF THAT UB WOULD FIND SPECIAL GOH COMMISSION (PARA 4 REF. B.) MORE FLEXIBLE. ABSENCES OF KEY COMMISSIONERS PREVENTED MEETING LAST WEEK WITH THIS GROUP. AV WAS ENCOURAGED ALSO BY POSITIVE STANCE OF NATURAL RESOURCES MINISTER RAFAEL LEONARDO CALLEJAS IN MEETING WITH HIM. IN ABOVE MEETINGS UB TEAM EMPHASIZED POSITIVE CONTRIBUTION COMPANY IS MAKING TO HONDURAS ECONOMY AND PRESENTED 1976 DATA SHOWING EMPLOYMENT (12,529), WAGES(\$29.7 MILLION), TAXES (\$8.6 MILLION), OTHER LOCAL EXPENDITURES (16.1 MILLION), SCHOOLS MAINTAINED (40) AND OTHER DATA. MATHERS AND SKELLY RETURNED TO BOSTON WITH UNDERSTANDING THAT PENDING FURTHER TALKS, EXPROPRIATION DECREES WOULD NOT BE IMPLEMENTED.

2. AMBASSADOR BECKER DESCRIBED TO THE UB OFFICERS RECENT POLITICAL CHANGES IN GOH WHCDH TENDED TO STRENGTHEN GENERAL MELGAR'S POSITION WHICH THEREBY COULD ENHANCE OUTLOOK FOR A FAVORABLE SETTLEMENT WITH INA.

COMMENT: THE EMBASSY ATTRIBUTES SUKDOVAL'S RIGIDITY IN NEGOTIATIONS, TO TACTICS AT THIS EARLY STAGE. EQUALLY IMPORTANT ARE SETBACKS AGRARIAN REFORM RECEIPT AT LANDS OF AGRARIAN ADVISORY

COUNCIL AND SUPREME COURT WHICH STOPPED EXPROPRIATION OF SEVERAL THOUSAND ACRES OF PRIVATE SUGAR MILL LAND AND A NOTICEABLE MODERATION OF GOH SUPPORT FOR INA PROGRAM. SANDOVAL MAY BE PRESSING FOR MAXIMUM GAIN IN UB LAND EXPROPRIATION TO RESTORE MOMENTUM. GOH SPECIAL COMMISSION ON UB EXPROPRIATION IS LIMITED OFFICIAL USE

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EXPECTED TO HAVE MODERATING AFFECT ON OUTCOME NEGOTIATIONS. BECKER

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Message Attributes

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